



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

November 15, 2002

OFFICE OF  
AIR AND RADIATION

Dear Authorized Account Representative:

As you know, we are in a period of transition from trading NO<sub>x</sub> allowances under the Ozone Transport Commission NO<sub>x</sub> Budget Program (OTC program) to trading under the NO<sub>x</sub> SIP Call NO<sub>x</sub> Budget Trading Program (SIP Call program.) Both programs are implemented through the use of the NO<sub>x</sub> Allowance Tracking System (NATS), which is managed by the Clean Air Markets Division (CAMD) at EPA. In order to close out the OTC program and transition to the SIP Call program, CAMD will be instituting some unique procedures for this transition period. These procedures have been designed in accordance with the OTC States' regulations, which govern the trading of NO<sub>x</sub> allowances issued under the OTC and SIP Call programs.

Currently, allowances from both the OTC and SIP Call programs exist simultaneously in NATS accounts. Allowances from the OTC program have "vintage years" of 1999 – 2002, indicated by the first four digits of their serial numbers. These allowances cannot be used for compliance in the SIP Call program. **After compliance deductions for the 2002 ozone season have been completed, all remaining allowances with the vintage years of 1999 – 2002 will be permanently removed from NATS.** There are several procedural steps to completing the transition (including the permanent removal allowances) that are outlined below.

1. **All NATS accounts will be permanently frozen after December 31, 2002, for OTC program allowances only (1999 – 2002 vintage years.) This includes all general accounts.** (In order to be processed, allowance transfers submitted on paper must be postmarked by Dec. 31, 2002, and electronic transfers using OATS must be recorded by midnight of Dec. 31, 2002.)
2. Compliance determinations for the 2002 ozone season will be made. This includes finalization of emissions data and deduction of allowances. This process should be completed by March 2003.
3. A permanent record of all remaining OTC program allowances (1999 – 2002 vintage years) will be created. This "snapshot" of the remaining allowances will be provided to OTC States and made available on the CAMD web site.

4. The snapshot will be the basis for calculating Compliance Supplement Pool (CSP) allowance allocations in some OTC States. In brief, CT, DE, MA, NJ and NY will distribute CSP allowances based on the number of 2000, 2001, and 2002 allowances contained in each compliance account in the snapshot. PA will distribute CSP allowances, in part, based on the number of 2001 and 2002 allowances contained in the snapshot. **Please note that 1999 allowances are not used in any CSP calculations, and allowances held in general accounts are not used in any CSP calculations.** Please refer to your State's SIP Call regulations for precise information.
5. All remaining OTC program allowances (1999 – 2002 vintage years) will be permanently removed from NATS. [New Hampshire is not part of the SIP Call program. In 2003, CAMD will administer a separate tracking system for New Hampshire allowances. New Hampshire regulations permit the use of 1999 – 2002 vintage year allowances for compliance in 2003 and beyond. Therefore, CAMD will record the same number of allowances contained in the snapshot into the separate tracking system for New Hampshire accounts.]
6. By May 1, 2003, CSP allowance allocations in the States of CT, DE, MA, MD, NJ, NY, and PA will be recorded into NATS.

As mentioned above, this is a unique set of procedures, made necessary by the unique circumstances of transitioning from the OTC program to the SIP Call program. Our goal is for everyone involved in NOx allowance trading to fully understand these necessary procedures in order to smoothly transition from one program to the other. If you have any questions, please contact either Mary Shellabarger at 202-564-9188, [shellabarger.mary@epa.gov](mailto:shellabarger.mary@epa.gov) or Paula Branch at 202-564-9168, [branch.paula@epa.gov](mailto:branch.paula@epa.gov).

Sincerely,

/s/ (November 15, 2002)

Sam Napolitano  
Acting Director, Clean Air Markets Division